

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: REVIEW OF LEVEL PAYMENT PLAN RULES	DOCKET NO. NOI-03-3
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ORDER INITIATING INQUIRY

(Issued July 25, 2003)

The Utilities Board (Board) is opening this inquiry to review the current rules related to level payment arrangements and procedures for electric and natural gas customers. This inquiry is identified as Docket No. NOI-03-3. The level payment rules are published at 199 IAC 19.4(11) and 20.4(12). These rules were promulgated approximately 20 years ago with the intent of giving customers a more predictable and stable monthly utility payment. By agreeing to a level payment plan, the customer could reduce the dramatic changes in gas and electric bills caused by changes in consumption such as summer air conditioning or winter heating and could alleviate the effect of rapidly-increasing electric rates that occurred in the late 1970s and early 1980s.

The rules are similar for electric and gas usage and provide that a customer may enter the plan at any time during the year and the month of entry would be the anniversary month. The rules require the level payment to be calculated by dividing the sum of estimated charges for the next 12 months by the number of billing

intervals. The level payment plan account balance each year is carried forward and added to (or subtracted from) the estimated charges for the next year to calculate the next year's monthly payment. The level payment is calculated at the time of entry and then may be recomputed on the anniversary date, when requested by the customer, or when the price of the service, or the customer's consumption, alone or in combination, results in a new estimated payment differing by 10 percent or more from that which the customer is currently paying.

Over the past two years, Board staff has been informally investigating the manner in which utilities are complying with the requirements of the level payment rules. Board staff has discussed with MidAmerican Energy Company (MidAmerican) the operation of MidAmerican's customer billing level payment plan beginning with the winter of 2000-2001. Review of some MidAmerican customer bills at that time revealed frequent adjustments to customer payments that created significant increases and decreases over a period of a few months. MidAmerican at one point indicated that it was reconciling customer accounts in an attempt to bring them to a zero balance on the anniversary date. MidAmerican changed this practice when it learned the practice did not comply with the Board's rules.

MidAmerican has changed level payment calculation factors at least three times in the past two years, and in the second quarter of this year, Board staff received complaints from MidAmerican customers about the wide swings in budget payment reconciliation. Some of these customers asserted that level payment plans

worked fine under MidAmerican's predecessor companies, but not under the current procedures followed by MidAmerican.

Board staff has received only a few complaints about the level payment plan procedures of Interstate Power and Light Company (IPL). However, IPL followed a practice of indicating to level payment customers who had a credit balance that no payment was due from the customer. This practice appears to be contrary to the intent of the rule and diminishes the ability of the customer to build up a credit balance during times when the customer has limited usage. As a result, the practice causes higher bill increases during high usage periods.

On July 21, 2003, the Board issued an order granting Atmos Energy Corporation (Atmos) a limited waiver of the level payment rules to enable Atmos to implement a different budget billing plan. The new budget-billing plan will allow Atmos to adjust monthly payments based upon a rolling average of the preceding 12 months actual usage. The new plan is not consistent with the current level payment plan rules, since it allows for a change in payments each month. However, data provided by Atmos showing the effect of its plan on typical monthly bills indicates that it may provide a more stable and predictable monthly payment than under the current rules. The samples provided are for natural gas service only and it is not yet known how it would work for a combination gas/electric customer.

Aquila, Inc., d/b/a Aquila Networks (Aquila), has indicated that it will soon be notifying customers in advance of significant changes in the customer's level

payment plan payments which are likely to be larger than usual because of the increase in natural gas prices. Aquila has established the same anniversary date for all customers and has only reviewed level payment plan accounts annually. Aquila indicated that it will begin to review level payment plans on a semi-annual basis in the future and that it may propose a budget billing plan similar to the plan proposed by Atmos.

Based upon the differences in the application of the level payment plan rules described above and the evidence that shows that under current rules monthly payments can change dramatically from year to year, it is appropriate to investigate whether the current rules should be modified. This is especially true since fluctuations in the current gas market have a significant impact on the stability of level payment plans and raise the possibility that level payment plans under the existing rule may not be achieving the desired results.

The Board will request comments from interested persons concerning the current level payment plan rules and the current billing practices of the utilities. Interested persons may also suggest new ideas or approaches for leveling customer payments and reducing the volatility of customer bills. The Board will require rate regulated utilities to provide a sample of level payment accounts, including consumption and billing history, for a 24-month period showing the level payment balances and adjustments during that period. The Board will also review each

utility's level payment tariffs, methodologies, and practices, including a review of what was in place in 2000 and what, if any, changes have taken place since then.

Once the Board has considered the information and data provided, it will determine what changes, if any, should be proposed to the current level payment rules. Based upon the Board's review, additional responses may be requested or the Board may commence a rule making.

The Board will appoint Chuck Seel as the inquiry manager for this proceeding. Persons interested in participating in this inquiry shall file in this docket the following information: Name of the participant/organization, contact person, mailing address, phone number, facsimile number, and electronic mail address. If more than one person from any entity is planning to participate, the confirmation shall include the names of all participants, but designate a single contact person. Questions about the inquiry should be directed to Chuck Seel at (515) 281-5618 or by email at Chuck.Seel@iub.state.ia.us.

IT IS THEREFORE ORDERED:

1. An inquiry, identified as Docket No. NOI-03-3, is initiated to review the Board's current level payment plan rules, 199 IAC 19.4(11) and 20.4(12).
2. Interested persons shall file responses concerning the current level payment plan rules and utility practices on or before September 2, 2003.
3. Interested persons wishing to participate in this inquiry shall file the information described in this order on or before September 2, 2003.

4. Rate regulated utilities shall file a sample of at least ten level payment plan accounts for each type of service offered (gas, electric, and combination) for the preceding 24 months showing the periodic consumption on each account, what the bills would have been if the customer were not on a level payment plan, and billing history under the level payment plan, for a 24-month period. Samples should be chosen to illustrate the principle features of the company's level payment plan. Other utilities may file this information voluntarily.

5. Rate regulated utilities shall file the utility's level payment tariffs, methodologies, and practices, including a review of what was in place in 2000 and all changes that have been adopted since 2000.

6. The Records and Information Center shall send copies of this order to all electric and gas utilities in Iowa.

UTILITIES BOARD

/s/ Mark O. Lambert

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 25th day of July, 2003.